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131214Z Oct 05

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TREASURY FOR OASIA - DAS LEE AND FPARODI
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DOE FOR LADISLAW
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SUBJECT: BRAZIL LOOKS TO THE IDB FOR HELP ON INFRASTRUCTURE
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11. (SBU) On October 11, EconCouns met with Ministry of Planning International Affairs Secretary Jose Carlos Miranda at the latter's request. In that conversation, Miranda stated that the Brazilian government wanted to work closely with new IDB President Moreno so as to facilitate the flow of Bank financing to the GOB's portfolio of pending infrastructure projects. While last spring the GOB had strongly supported its national candidate - Joao Sayad -- for the IDB presidency, Miranda made clear that his Ministry saw no reason that Brazil should not maintain its strong, historic ties to the Bank. Particularly welcome, he declared, was the agreement to initiate an IDB Brazil Infrastructure Fund, which in the end could bring in up to US\$800 million in low-cost financing. Indeed, Miranda commented, what was urgently needed now was for the Bank and Brazil to get personnel issues settled so that implementation of already-identified infrastructure projects could begin in earnest.

12. (SBU) To that end, Miranda asked that Embassy convey a private letter from his boss, i.e., Planning Minister Paulo Bernardo - Brazil's representative to the IDB - to Secretary Snow proposing several Brazilian candidates for positions within the Bank. Miranda noted that similar correspondence had already been conveyed to IDB President Moreno. The letter to Secretary Snow, he said, follows up on (separate) conversations the Secretary had with Minister Bernardo and Finance Minister Palocci in the wake of September's IMF/World Bank meetings. (Embassy has forwarded Bernardo's letter to Secretary Snow via FEDEX.)

13. (SBU) Key among the projects that Brazil wanted to move quickly, Miranda said, was its pending Public-Private Partnerships (PPPs). While previously the PPPs had been stalled because of a dispute as to which GOB entity would manage the guarantee fund, this issue had now been resolved (in favor of Banco do Brasil) and all the necessary regulations had been promulgated two months ago. Miranda observed that the first project to be bid would be extensions to the North-South Railway. Andean Development Fund (CAF) financing was already in place, with Italy to provide assistance on bid issues.

14. (SBU) Turning to the energy field, Miranda characterized the situation in Bolivia as "worrisome at best." He saw Evo Morales as the best of those on the left as he at least was willing to sit down and talk - something which could not be said of Morales' more radical compatriots. Given the instability in Bolivia, Miranda said, Lula Chief of Staff Dilma Rousseff (formerly Energy Minister) had traveled to Washington in mid-September to meet with Moreno to seek his support for the proposed South American gas ring. This project envisions the construction of gas pipelines linking Peru, Brazil, Chile, Paraguay, Uruguay, and Argentina. Rousseff wanted to move quickly on the gas ring to help mitigate Brazil's dependence on Bolivian gas exports. Miranda said that studies done by the GOB's energy parastatal (Petrobras) indicated that gas from the Brazil's plentiful Campos Basin would not be on line until 2007 or 2008 - leaving the country vulnerable in the short-run.

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